

# **USAID/Economic Growth, Agriculture and Trade**

## **Annual Report**

**FY 2004**

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## **Economic Growth, Agriculture and Trade**

### **Performance:**

The past 50 years have witnessed great progress in reducing poverty and improving human well-being. Incomes have more than doubled and life expectancy has increased by as much as twenty years for much of the developing world. Food production has increased and world prices for staple grains continue to fall. New developments in science, especially agricultural biotechnology, offer the promise of meeting future food needs even as populations in developing countries continue to grow. Globalization has resulted in remarkable increases in world trade and investment as well as a quantum leap in the transmission of information from one part of the world to another. Economies oriented to market forces have been shown to be more efficient and more sustainable than state-led systems. Good governance has emerged as a critical factor in determining national prospects for growth and for the effective use of foreign assistance resources. The report recently commissioned by USAID - Foreign Aid in the National Interest - argues that good governance, agricultural development, education, and the expansion of markets are essential to poverty reduction and increased prosperity.

In spite of such progress, over 1.2 billion people still live on less than \$1 a day, a measure of extreme poverty. Close to half the world's population (2.5 - 3 billion people) live on less than \$2 a day, well below the poverty line in most countries. Seventy percent of the world's poor are women and girls. Hunger has decreased in Asia and Latin America, but continues to increase in sub-Saharan Africa. Pressure on natural resources continues to increase, with both fertile land and water in increasingly scarce supply.

More than 125 million children, mostly girls, are out of school; only 25% of children complete five years of education. Most of the world's 900 million illiterate adults (mostly women) live in developing countries. Despite the importance of modern infrastructure to development and economic growth, two billion people worldwide still live without access to modern energy services and one billion lack access to safe drinking water; three billion people have never used a telephone; and only slightly more than 500 million use the Internet.

The expansion of trade has largely bypassed the least developed countries, which have seen their share of world trade drop over the last decade. Primary commodities (coffee, cocoa) have faced falling prices, with consequent impacts on rural incomes and employment in many countries. Overall competition in global markets has increased and developing country firms seeking to participate in these markets face a steep learning curve.

USAID Response: The Bureau for Economic Growth Agriculture and Trade (EGAT) was established in FY2002 as one of three pillar, or technical bureaus within the U.S. Agency for International Development (USAID). In its initial year, EGAT articulated its overall goal-to reduce poverty and promote prosperity in developing and transition countries; shaped a new organization capable of providing or accessing expertise and information in the fields of economic growth, trade and investment, microenterprise development, urban development, development credit, education, agriculture, natural resource management, science policy, energy, information and communication technology and technology transfer; began to restructure its portfolio with the intention of providing high-quality support to USAID missions worldwide; and both led and supported U.S. Government (USG) participation in key international fora-the Doha Ministerial of the World Trade Organization (WTO), the Monterrey Conference on Financing for Development, the World Food Summit: five years later, and the World Summit on Sustainable Development (WSSD).

In FY 2003, EGAT further refined its strategies, approaches, and portfolio to carry out its mandate of technical leadership and field support. The Bureau embarked upon an ambitious effort to expand the

scope and quality of interactions with professionals and operational networks, e.g., with U.S. universities, the women in development community, those U.S. Government and private sector leaders in trade and investment, and the growing network of scientists and policymakers dealing with agricultural biotechnology. Input to strategies for trade capacity-building, trafficking in persons, agricultural development, and education and training benefited from this external input. EGAT provided critical field support to programs in Afghanistan and Iraq as well as to USAID missions seeking support with strategic planning and program design, best-practices implementation, and assessments. Significant progress was made in launching projects addressing the President's Water for the Poor Initiative, the Digital Freedom Initiative, and other WSSD commitments. Alliances with the private sector for potable water expansion in West Africa and for increasing the sustainability of forest management moved from concept to action on the ground.

**Economic Growth:** In 2003, the Economic Growth Program developed sector strategies for trade capacity building and financial sector development. These provided a framework for assistance to missions in such areas as fiscal reform, customs, service sector liberalization, mortgage market development, and standards, both sanitary and phyto-sanitary and industry standards. The Economic Growth Program also assisted in the initiation of 72 new USAID trade capacity building programs that mainstream trade into country policies and USAID programs worldwide. This included development and application of a new analytic tool for helping developing countries understand and adjust to pending radical changes in the global market for textiles and apparel. The program dramatically strengthened USAID support for U.S. bilateral trade negotiations--leading regular state-of-the-art reviews among USAID staff who supported negotiations with CAFTA, Morocco, and Southern African Customs Union. Finally, the Program led close to 10 training programs and workshops to increase the knowledge and skills of 170 USAID staff, thus improving the Agency's capacity to promote open and competitive economies worldwide.

**Microenterprise Development:** USAID, operating through more than 500 implementing partners, served a record 5.6 million poor clients via loans for microenterprises and other purposes valued at \$1.3 billion. Some 94.3% of all loans outstanding were paid on-time. More than 65% of the clients were women, and more than 55% of the loans were held by very poor clients. USAID-supported institutions served 3.2 million savings account clients whose combined deposits totaled \$873 million, more than double that of 2001. Over 3.1 million poor micro-entrepreneurs received business development services from USAID-assisted institutions, resulting in improved market access, productivity and earnings.

**Agriculture:** As a result of EGAT support, fertilizer was distributed to 200,000 Afghan farmers, resulting in 62,000 metric tons of incremental wheat production. Some 600 Afghan input dealers received training in support of development of private sector input markets. In Zambia, EGAT assistance to small and medium-scale dairy producers resulted in the establishment of 10 new milk collection centers and milk quality improvements that led to a \$215,000 increase in the value of milk marketed by collection groups. A TFCA debt swap agreement reduced Panama's debt payments to the U.S. by \$10 million and financed an equal amount of local conservation projects. In Mozambique, EGAT/AG support resulted in 35% of all households in the country receiving agricultural market information. This led to higher farm incomes, according to a recent survey. The program provided 1,600 African scientists with Internet access to technical resources in support of research efforts, significantly enhancing the institutional capacity of national agricultural research programs in the region. EGAT/AG's agribusiness interventions provided training in food safety and facilitated partnerships between local producers and exporters in Ghana for the daily export of fresh fruit to 300 supermarkets in Europe and other African countries.

USAID-support for the Consultative Group for International Agricultural research, a group of 16 international agricultural and natural resource research centers, resulted in the dissemination of new, higher-yielding rice and sorghum in Africa, improved policies and guidelines for famine prevention and mitigation, higher incomes from Asian fish farming, and reduced use of pesticides in Asian rice production. In Latin America, in-situ agrobiodiversity was increased with the restoration of native potato varieties to high-altitude farms. EGAT helped to develop the AATF partnership, which will leverage private sector engagement in providing agricultural technology and know-how to smallholder farmers in Africa. USAID partnerships with African organizations such as the Forum on Agricultural Research in Africa and the governments of Kenya, Uganda and Nigeria were strengthened to build a common vision of

integrating biotechnology into African development.

**Natural Resources Management:** USAID implemented forestry programs in 70 countries that achieved improved management of over 4.9 million hectares of forest and effective management of over 2 million hectares for a cumulative total of 8,246,088 hectares under improved management and 2,735,394 hectares under effective management since 1996. Assistance also launched producer groups for responsible trade in forest products in six countries. Through forestry activities, USAID also facilitated ten policy successes, in areas ranging from forestry laws to procurement policies, in eight countries. Efforts related to water facilitated the adoption of a national coastal management strategy in Tanzania, and in Indonesia contributed to the establishment of 32,723,703 hectares of coastal areas under improved management. Efforts also supported the President's Signature Water for the Poor Initiative, resulting in improved access to safe water supplies and sanitation for over 19 million people.

USAID activities increased capacity for effective and sustainable land resources management by strengthening host country environmental communication and advocacy, achieving land tenure reform in the Central Asian Republics, mainstreaming natural resources management into development programs in Africa, and developing a Coffee Corps exchange that contributed to trade policy changes in Tanzania projected to boost farmer income by over \$2.0 million per year. A \$21 million, 5-year GCP to enhance biodiversity conservation efforts was launched in 18 countries. USAID also provided technical leadership through international conventions, resulting in the successful incorporation of USG positions in international binding treaties to protect key species, habitats and sustainable natural systems.

**Education:** EGAT technical assistance contributed to improved education policies and institutions in 11 countries; resulting in more cost-effective quality teaching and learning in Uganda, increased sensitization and mobilization of communities around education and related health issues in Zambia, and non-formal education for demobilized soldiers and internally displaced persons in Burundi. School attendance rates in Djibouti were increased as a result of improvements in school facilities, and support to the non-formal Educadodos system in Honduras accelerated math and Spanish achievement. An internet portal established in Latin America is enabling teachers to share materials and advice. Eleven countries also improved their education data collection and management systems including Malawi, which adopted EGAT tools to collect data on gender equality in the classroom. EGAT also provided assistance to a worldwide information system to set indicators for monitoring education in crisis settings and to Nepal to educate children and families on the dangers of trafficking in persons.

In the area of higher education and workforce development, EGAT supported the establishment of 26 new partnerships between U.S. and developing country universities, bringing the total number of partnerships to 155. These partnerships have led to the formulation of a new Commercial Code in Ethiopia and a model Fisheries and Aquaculture Plan in Mexico. EGAT/ED also supported the launch of seventeen new workforce development programs, such as a workplace training and job placement initiative for the disabled in South Africa, that promise to teach out-of-school youth and other vulnerable populations the skills and knowledge demanded by local employers.

**Climate Change:** USAID's climate change program resulted in the development of a methodology to quantify greenhouse gas emissions for business entities internationally, the launching of a website to share information on U.S.-sponsored technology cooperation to address climate change, and the design of a program to increase energy efficiency in urban transportation in African and Asian cities. Estimates indicate that USAID activities also improved carbon sequestration in more than 120 million hectares of managed land; avoided 3.8 million metric tons of carbon dioxide-equivalent emissions; and supported 4,800 climate-related capacity building activities in developing and transition countries.

**Energy:** In FY 2003, USAID assistance helped to bring on-line 192 megawatts of grid-connected energy. Activities expanded access to energy services for approximately 960,000 poor people worldwide. Efforts also helped over 1,400 institutions adopt improved operating policies, practices, and techniques that spurred the development and adoption of 51 public policies to increase access to energy services in developing countries. This program also contributed to the design of an \$80 million energy project for Afghanistan and several Iraq infrastructure programs.

Information Technology: USAID launched a public-private partnership with the Information Technology Association of America that is building information technology business associations in several nations. Efforts also resulted in the training of 256 participants from 72 countries, including 58 women, in telecommunications and Internet policy, resulting in improved information and telecommunications skills for these developing nation professionals. USAID support to the DOT-COM Alliance helped 21 countries expand telecommunications services to the underserved.

Urban Development: Urban program activities helped establish alliances between the private sector and donors that resulted in 90 cities engaging in slum upgrading and more than 24 countries preparing local poverty reduction strategies. The Resource Cities/CityLinks Partnership promoted city-to-city exchanges between the U.S. and developing countries that resulted in improvements in solid waste management, financial management, local economic development, water services, and urban planning in 23 cities in Bulgaria, India, Kyrgyzstan, Jordan, Mali, and Thailand.

Women in Development: With support from EGAT/WID and the West Africa Regional Program, focus groups were held in Guinea, Niger, Sierra Leone and Nigeria to identify key barriers in finance, regulations, and other areas faced by businesswomen. A guide to doing business for each country will follow. In February 2003, USAID became the first U.S. Government agency to produce an anti-trafficking strategy, which will increase the coherence and impact of USAID's efforts against trafficking in persons. The WID Office supported several anti-trafficking activities in the field. For example, in Albania, WID support helped NGOs form partnerships with NGOs in Greece and Italy, two countries to which Albanian children are trafficked, to improve care and repatriation of trafficking victims. NGO capacity to advance women's legal rights was strengthened in Ghana, Nigeria, Tanzania, and Uganda. A manual on including people with disabilities in development programs was produced and distributed to NGOs. "Unsafe Schools: A Literature Review of School-Related Gender-Based Violence in Developing Countries," was produced, presented at international conferences, and disseminated widely.

**Country Close and Graduation:**

## Results Framework

### **905-101 Open, competitive economies promoted**

#### **SO Level Indicator(s):**

Office of Economic Growth tools developed for and/or applied by USAID Bureaus and missions  
Person days of economic growth training delivered to AID implementers  
TDY support provided by the Office of Economic Growth (person weeks)  
The number of delivery orders processed by the Office of Economic Growth

**IR No.1** Enhance the capacity of countries to participate in, and benefit from, global trade and investment

**IR No.2** Improve macroeconomic stability and financial sector capacity to respond to opportunities in the global market place

**IR No.3** Enhance private sector capacity to respond to opportunities in the global market place

### **905-111 Access to critical infrastructure increased, leading to improved quality of life, economic growth, and sustainable communities**

- 1 Greenhouse gas emissions avoided (million tons of CO2 equivalent - CTE)/yr
- 2 Public policies adopted and implemented to promote environmentally sound energy production
- 3 Countries adopting regulatory reforms to facilitate liberalization of telecoms (cumulative)
- 4 Key personnel trained to modernize telecoms systems and services (annual)
- 5 Public institutions & NGOs applying models to improve information & learning systems (cumulative)

### **905-112 Increased technical cooperation among middle eastern, developing countries and the U.S.**

#### **SO Level Indicator(s):**

Number of joint Arab-Israeli projects funded by MERC and CDR

### **905-201 Economic opportunities and services for the poor expanded**

#### **SO Level Indicator(s):**

To be determined

1 To be determined

### **905-301 An educated and skilled populace well prepared for participating in the social and economic progress of their countries**

### **905-401 Gender considerations in the Agency's development, humanitarian, and transition work better reflected**

- 1.1 Gender-based sectoral constraints addressed
- 1.2 Gender integration in cross-sectoral priorities enhanced
- 1.3 Organizational and technical capacity increased
- 1.4 Coordination with the development community enhanced

### **905-501 Local private Capital mobilized to provide financing for development**

#### **SO Level Indicator(s):**

DCA portfolio and individual facilities are utilized at a satisfactory rate.

Identified market imperfections are addressed and partner institutions continue to lend to target group with  
out a guaranty.

1 Support USAID missions and other operating units in identifying opportunities for and in designing DCA activities.

2 Assess the credit risk of proposed DCA activities and re-estimate the credit risk of existing activities.

3 Support USAID missions and other operating units in the financial monitoring of DCA and other credit portfolios.

4 Train USAID staff and contractor community in DCA principles and the procedures for carrying out a DCA activity.



5 Train partner financial institution staff in lending modalities appropriate to target beneficiaries.

6 Coordinate with U.S.G. agencies, other donors, the NGO community and the private sector to further the appropriate use of credit and the strengthening of financial markets in developing and transition economies.

7 Assist the Agency to respond to Presidential and other U.S.G. initiatives that call upon the use of DCA.

**905-601 Improved analysis, communication and field support supported**

**905-701 Environmental and science policies mobilized to address global development challenges**

**SO Level Indicator(s):**

Number of countries where Consultative Group on International Agricultural Research (CGIAR) centers have staff deployed in research and development programs

Number of developing countries undertaking field trials of bioengineered crops

Number of international climate change strategies, policies and programs developed with EGAT/ESP leadership

Number of programs that promote climate-friendly technologies and practices

Per capita food production index (all developing countries)

Yield per hectare of selected crops

**IR 1** Policies and programs developed, implemented and effectively managed to address global climate change

**IR 2** More productive agricultural and natural resource management technologies and policies developed through multilateral research partnerships

**IR 3** U.S. interests promoted in multilateral environmental conventions and fora

**Special IR** Agency compliance with U.S. environmental research regulations ensured

**905-801 Management for conservation and sustainable use of natural resources -- principally agricultural lands, forests, biodiversity, freshwater and marine ecosystems -- improved**

**SO Level Indicator(s):**

1 - Effective biodiversity conservation and management

2 - Improved management of natural forest and tree systems

3 - Improved land management capacity

4 - Improved management of coastal and freshwater resources

**1.1** Hectares of biologically important habitat under improved management

**1.2** Hectares of biologically important habitat under effective management

**1.3** Number of policy successes affecting improved biodiversity conservation

**2.1** Hectares of forest under improved management

**2.2** Hectares of forest under effective management

**2.3** Number of policy successes affecting sustainable forest management

**3.1** behavior changed

**3.2** number of influential studies/papers produced

**3.3** number of institutions applying land resources management tools

**3.4** number of mission strategies, programs and/or activities influenced

**3.5** number of people adopting best practices

**3.6** number of people exposed to information

**3.7** number of people trained

**3.8** number of policies influenced or changed

**4.1** Hectares of coastal area under improved management

**4.2** Hectares of coastal area under effective management

**4.3** Number of policy successes affecting coastal and freshwater resources

**905-901 The Agricultural Sector's contribution to economic growth, improved health, and sound natural resources management expanded**

**SO Level Indicator(s):**

Increased rural incomes.

**IR 1** Increased access to global and domestic trade opportunities.

**IR 2** Sustainable agriculture promoted through sound environmental management, social empowerment, and economic governance.

**IR 3** Science and technology mobilized and capacity for innovation increased.

**IR 4** Human and institutional capacity strengthened through training, outreach, and adaptive reserach.